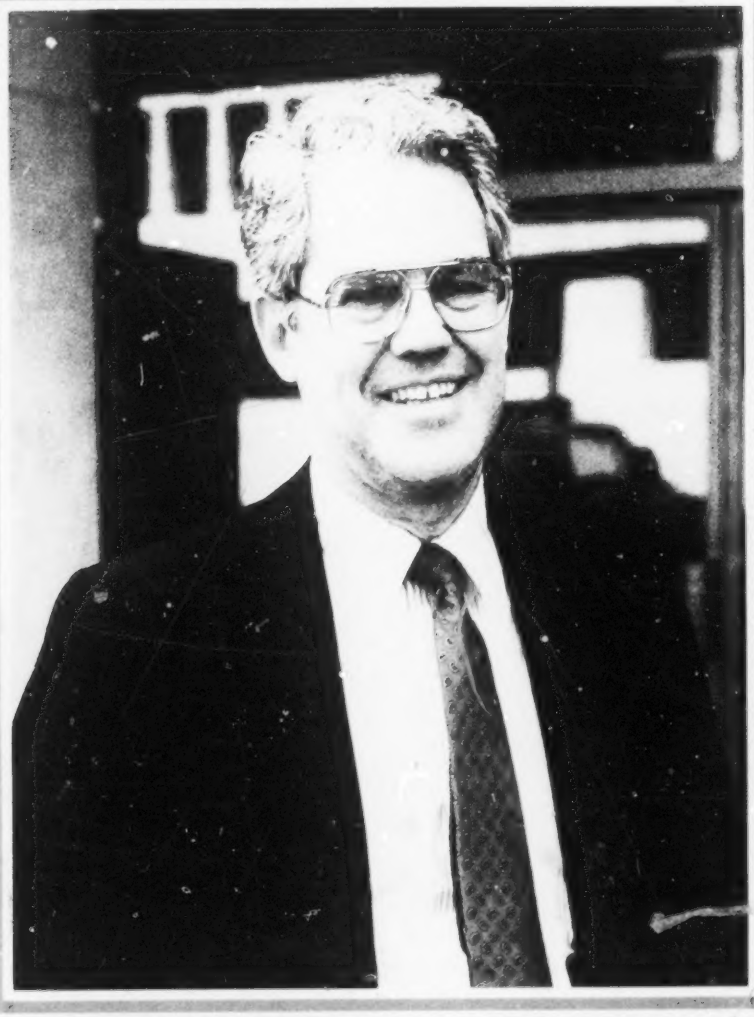
MAY 16, 1983

CHEMICAL & ENGINEERING

NEWS

Chemical earnings finally hint a turnaround Page 20



National Science Foundation

New chief Edward Knapp leads agency back to basics Page 11

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CHEMICAL & ENGINEERING NEWS

Volume 61, Number 20
CENEAR 61 (20) 1–68
ISSN 0009-2347

MAY 16, 1983

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News Focus

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Chemical Earnings Still Down, But Not So Much

Profits and sales still fell in first quarter, but there are reasons for some cautious optimism for the rest of the year

William J. Storck, David Webber
C&EN New York

The low point finally has been reached in the U.S. chemical industry's financial turmoil of the past three years.

First-quarter 1983 earnings at major basic chemical companies, as well as chemical-producing oil and diversified firms, continued their year-to-year drop. But the shortfall was much less than in the fourth quarter of 1982. For 1983 as a whole, it now appears as if earnings finally will rebound, perhaps rising 15% over 1982, on a sales increase of roughly 8%.

However, it's still not time to celebrate. The optimism on earnings prospects that prevailed toward the end of 1982 has been somewhat tempered by the realities of the first quarter this year. Many chemical executives are saying that financial results will not brighten a lot until later in the year. This would not be that unusual, since chemical earnings normally lag in economic recoveries.

There are a number of reasons for the still-poor earnings of the first quarter. Most important, demand was not yet healthy. Many end-use markets for chemicals turned up but not to levels boosting profits. Still, the quarter's business volume improved considerably as it progressed, so there is hope for better results in the second quarter and the year as a whole.

The one market area that still hurt the chemical industry badly in the first quarter—and is not likely to improve for some time—is agriculture. The government's payment-in-kind (PIK) program is reducing crop plantings and hence sales of agricultural chemicals.

Overall, though production in chemicals and allied products, according to Federal Reserve Board data, was still off 1.4% in the first quarter from the same period in 1982, this is the smallest annual decrease since the fourth quarter of 1981. And although the government's producer price index for chemicals and allied products is still 1.4% below a year ago, indications are that prices are firming. For instance, some of the recently announced price increases have been successful, according to chemical executives.

For the first quarter this year, combined sales at 30 leading basic chemical companies surveyed by C&EN fell about 6% to $16.3 billion from first-quarter 1982. At the same time, earnings for this group of companies dropped 27% to $627 million. (This year, C&EN has narrowed its group of leading basic chemical companies from 40 to 30 to provide more timely and consistent quarterly data.)

Although a 27% fall in earnings is rough, it is the smallest decrease since the first quarter of 1982. And actual earnings in the first quarter this year were up 39% from the fourth quarter in 1982. True, first-quarter earnings tend to increase seasonally 10 to 15% from the fourth quarter, but the current increase is far above that and hence signals a real gain. In the previous two years, the corresponding earnings increase was 7% in 1982 and 12% in 1981. The current increase is all the more wel-

Chemical industry leaders for first quarter

Sales			Earnings[a]			Profitability		
Rank		$ Millions	Rank 1982		$ Millions	Rank 1982		Earnings as % of sales	Rank 1982
1	Dow Chemical	$2538.0	1	Monsanto	$101.0	1	International Flavors	15.1%	1
2	Union Carbide	2190.8	2	Dow Chemical	54.0	2	Freeport-McMoRan	10.3	2
3	Monsanto	1488.0	3	PPG Industries	43.8	15	Nalco Chemical	9.5	9
4	W. R. Grace	1351.9	4	Union Carbide	41.7	3	Lubrizol	9.2	8
5	PPG Industries	856.7	7	Rohm & Haas	33.7	16	Petrolite	8.8	4
6	American Cyanamid	825.3	6	W. R. Grace	32.9	5	Loctite	8.6	12
7	Celanese	766.0	5	Air Products	24.6	9	Rohm & Haas	7.3	20
8	Hercules	602.0	8	Hercules	24.4	11	Monsanto	6.8	6
9	National Distillers	587.1	12	Morton-Thiokol	23.4	—	Air Products	5.9	10
10	Olin	473.1	10	Olin	22.6	10	International Minerals	5.7	11

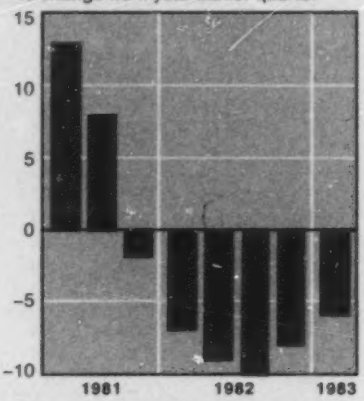
a After taxes. **Note:** For 30 companies listed on page 22.

Chemical industry 1983 first-quarter results

- Sales fell 6%
- Earnings dropped 27%
- Profit margins sank
- Production slid 1.4%
- Prices declined

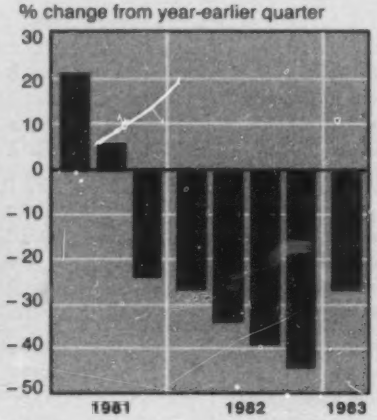
Sales

% change from year-earlier quarter



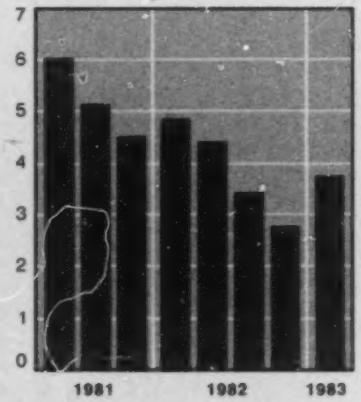
Earnings

% change from year-earlier quarter



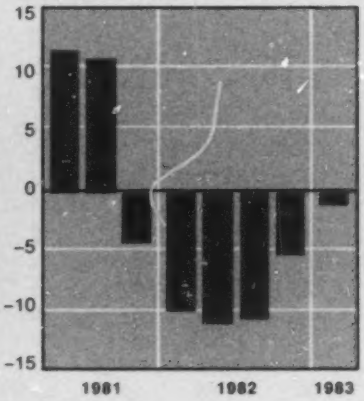
Profit margins

After-tax earnings as % of sales



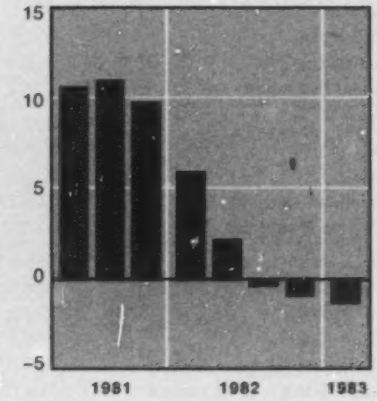
Production

% change from year-earlier quarter



Prices

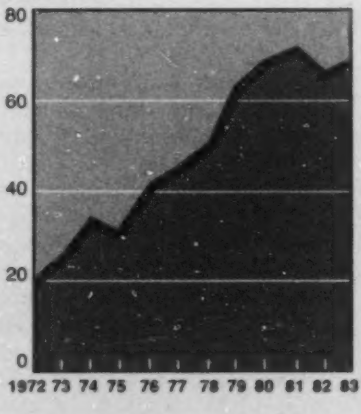
% change from year-earlier quarter



Sales in 1983 will rise 8%; earnings will increase 15%, driving chemical profitability up

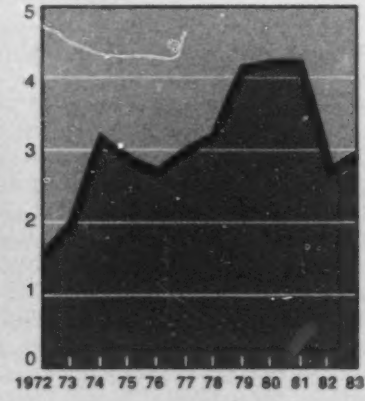
Annual sales

$ Billions



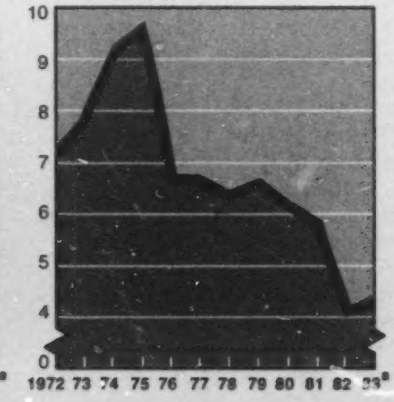
Annual earnings

$ Billions



Annual profit margins

After-tax earnings as % of sales



a C&EN estimates. **Note:** All sales, earnings, and profit-margin data are based on the combined performance of the 30 leading chemical companies listed on page 22.

Profit margins still fall at most major chemical companies

	FIRST-QUARTER 1983						12-MONTH RUNNING DATA			
	Sales ($ millions)	Earnings ($ millions)	Change from 1982 Sales	Change from 1982 Earnings	Profit margin[a] 1983	Profit margin[a] 1982	Change from 1982 Sales	Change from 1982 Earnings	Profit margin[a] 1983	Profit margin[a] 1982
Air Products	$ 414.0	$ 24.6	4%	−16%	5.9%	7.3%	2%	−14%	6.5%	7.7%
American Cyanamid[c]	825.3	21.4	−2	−25	2.6	3.4	−5	−37	3.5	5.2
Celanese	766.0	6.0	−10	−70	0.8	2.4	−20	def	def	3.5
Chemed	60.6	3.7	1	−29	6.1	8.7	−1	−40	6.1	10.1
Crompton & Knowles	54.4	1.2	1	50	2.2	1.5	−10	−30	2.5	3.2
Dow Chemical[e]	2,538.0	54.0	−9	−44	2.1	3.5	−12	−66	1.7	4.5
Ethyl	395.9	20.2	−2	18	5.1	4.3	−7	11	6.0	5.0
First Mississippi	47.0	1.7	−9	−61	3.6	8.5	−40	−43	6.5	6.9
Freeport-McMoRan	204.2	21.1	5	−20	10.3	13.6	−6	−33	12.2	16.9
H. B. Fuller	95.5	1.9	31	75	1.9	1.5	10	−20	2.7	3.6
W. R. Grace[f]	1,351.9	32.9	−8	−58	2.4	5.4	−7	−35	3.5	5.0
Hercules	302.0	24.4	−6	11	4.1	3.4	−10	−29	3.9	5.0
International Flavors	121.5	18.4	2	2	15.1	15.2	2	0	14.1	14.2
International Minerals	371.6	21.2	−4	−17	5.7	6.2	−19	−41	5.0	6.7
Loctite	55.4	4.8	1	46	8.6	6.0	−2	9	7.1	6.3
Lubrizol	184.5	16.7	−6	7	9.2	8.1	−7	−45	6.1	10.4
Monsanto	1,488.0	101.0	−14	−31	6.8	8.5	−10	−14	4.9	5.1
Morton-Thiokol[g]	445.0	23.4	—	—	5.3	4.4	—	—	—	—
Nalco Chemical	159.5	15.2	1	21	9.5	7.9	−6	−17	9.9	11.6
National Distillers[h]	587.1	15.0	26	−12	2.6	3.7	−2	−47	3.6	6.6
Olin[i]	473.1	22.6	−5	3	4.8	4.4	−9	−27	3.5	4.4
Pennwalt	237.9	6.3	−4	0	2.6	2.6	−6	−30	2.6	3.5
Petrolite	71.9	6.3	−13	−26	8.8	10.3	−5	−8	9.3	9.5
PPG Industries[j]	856.7	43.8	14	166	5.1	2.2	2	0	5.1	5.2
Reichhold Chemicals	178.5	4.2	−14	27	2.4	1.6	−16	−40	1.3	1.8
Rohm & Haas	462.0	33.7	−3	111	7.3	3.4	−4	9	5.1	4.5
Stauffer Chemical	364.0	18.8	−42	−77	5.2	13.0	−22	−62	4.0	8.3
Union Carbide	2,190.8	41.7	−5	−54	1.9	3.9	−9	−59	2.8	6.2
Williams Cos.[k]	369.2	8.6	−6	46	2.3	1.5	−11	−44	1.9	3.1
Witco Chemical[l]	323.0	10.7	−3	118	3.3	1.5	−1	−2	2.8	2.8
Top 15 largest companies[m,n]	**$13,765.0**	**$473.3**	**−5%**	**−25%**	**3.4%**	**4.3%**	**−14%**	**−44%**	**3.1%**	**4.7%**
Second 15 companies[m]	**$ 2,529.5**	**$153.4**	**−11%**	**−31%**	**6.1%**	**7.8%**	**−11%**	**−30%**	**5.1%**	**6.5%**
TOTAL[n]	**$16,294.5**	**$626.7**	**−6%**	**−27%**	**3.8%**	**4.9%**	**−13%**	**−41%**	**3.4%**	**5.0%**

a After-tax income as a percentage of sales. b Fully diluted before nonrecurring and extraordinary items. c As of April 29. d Excludes nonrecurring gains of $5.8 million in first-quarter 1983 and $9.6 million in first-quarter 1982. e Excludes nonrecurring gains of $15 million in first-quarter 1983 and $57 million in first-quarter 1982. f Excludes $65.1 million gain in first-quarter 1982. g Since merger of Morton and Thiokol, previous quarterly figures have not been restated, making comparisons with prior data meaningless. h Excludes $11.3 million nonrecurring gain in first-quarter 1982. i Results for 1983 include Olin's share of sales and earnings from Philip A. Hunt Chemical. j Excludes nonrecurring gain of $7.6 million in first-quarter 1982.

come after three straight quarter-to-quarter earnings declines in 1982.

Profit margins also increased from the fourth quarter but were still lower than in the first quarter last year. At the 30 companies surveyed, profit margins averaged 3.8% in the first quarter and 4.9% in the same period last year.

Within these overall results, the 15 largest companies on the list outperformed the second 15 in terms of sales and earnings. However, profitability for the smaller companies remained higher.

For the 15 larger firms, sales dropped 5% from first-quarter 1982 to $13.8 billion. Earnings at these companies fell an average of 25% to $473 million. At the smaller companies, sales dropped 11% to $2.53 billion, and earnings fell 31% to $153 million. As a result, profit margins at the larger companies fell to 3.4% in the first quarter from 4.3% in first-quarter 1982, and at the smaller companies, profitability fell to 6.1% from 7.8%.

In explaining first-quarter results, some company executives note that raw material cost breaks helped operations. For example, Paul F. Oreffice, Dow Chemical president and chief executive officer, says that a reduction in naphtha prices helped the company's feedstock cost situation.

Companies also noted improved plant utilization rates in the first quarter. At Pennwalt, chairman Edwin E. Tuttle says, "Chemical operating rates are inching upward and although the situation is still far from satisfactory, we are delighted with the improvement that finally seems to be under way." Du Pont noted a gain in capacity utilization to 72% in March from 62% in January.

However, there remains the agricultural chemicals headache. At Monsanto, where farm markets are particularly important, sales of agricultural and nutritional products,

STOCK MARKET DATA[c]

Earnings per share[b] 1st qtr	Earnings per share[b] Full year	Stock price April 29	Stock price Recent 12 months High	Stock price Recent 12 months Low	Price-earnings ratio April 29	Annual indicated dividend	Dividend yield, % of price
$0.79	$3.60	$42 7/8	$48 1/8	$23 5/8	12	$0.80	1.9%
0.36	2.38	45 1/2	47 1/2	24 5/8	19	1.75	3.8
0.32	−0.90	62 1/8	62 1/4	41 1/4	—	4.00	6.4
0.43	1.78	36 3/4	36 3/4	21 5/8	21	1.36	3.7
0.35	1.21	27 7/8	28	12 1/8	23	1.04	3.7
0.28	1.56	33 1/8	33 1/8	19 5/8	21	1.80	5.4
0.48	2.44	18 1/8	20 3/4	9 1/4	7	0.85	4.7
0.08	0.65	11	12 5/8	6	17	0.24	2.2
0.30	1.32	21 3/4	23 5/8	12 1/4	16	0.60	2.8
0.40	2.04	32 3/4	33 3/4	22 3/4	16	0.56	1.7
0.67	4.26	44 1/2	45 1/2	28 1/2	10	2.80	6.3
0.54	2.12	36 1/2	36 3/4	16 7/8	17	1.32	3.6
0.50	1.74	28 1/4	30	17 5/8	16	1.04	3.7
0.79	2.70	39 1/2	40 7/8	23 1/2	15	2.60	6.6
0.48	1.52	38	40 1/4	18 1/8	25	0.56	1.5
0.43	1.24	20 7/8	22 3/4	14 1/4	17	1.08	5.2
2.47	7.65	91	94	56 5/8	12	4.20	4.6
1.40	—	65 3/4	66 3/4	27 3/4	6	1.60	2.4
0.41	1.64	31	35	18	19	1.12	3.6
0.39	1.86	27 3/4	28 1/8	18 7/8	15	2.20	7.9
0.95	2.68	32	32	15 1/2	12	1.20	3.8
0.61	2.37	38 5/8	40 3/8	21 1/2	16	2.20	5.7
0.53	2.28	28	33 3/4	27 3/4	12	1.00	3.6
1.26	5.06	65 3/8	65 1/2	29 1/8	13	2.36	3.6
0.50	0.89	26 5/8	27	10 1/8	30	0.48	1.8
2.61	7.19	116 1/2	117 1/2	45 1/2	16	2.80	2.4
0.43	1.24	24 7/8	28 3/8	17	20	1.44	5.8
0.60	3.61	64 1/2	64 1/2	40 1/8	18	3.40	5.3
0.29	1.21	25 5/8	24 7/8	12 5/8	20	1.20	4.9
1.08	3.41	39 7/8	40	20 5/8	12	1.80	4.5

k Excludes nonrecurring gain of $6.4 million in first-quarter 1983. l Excludes net gain of $3.1 million in first-quarter 1982. m Division between large and small companies is about $365 million in first-quarter 1983. n Per cent change and profit margin averages exclude results of Morton-Thiokol.

largely pesticides, dropped 27% from last year's first quarter to $333 million. Earnings fell 44% to $109 million.

American Cyanamid president George J. Sella Jr. says that pesticide sales were down at Cyanamid because of continuing high distributor inventories and the expectations of lower crop plantings as a result of the PIK program.

One of the worst cases of agricultural chemical blues occurred at Stauffer Chemical. Total company sales were off a thumping 42% and earnings down 77% from a year before, almost all because of farm market trouble. Ordinarily, Stauffer's sales peak for agricultural chemicals is in the first quarter. However, 1983 U.S. sales of pesticides were $60 million, down a full 80% from first-quarter 1982. If it had not been for this drop, Stauffer's total sales would have been down just 6%. Stauffer says the pesticide collapse was due to an estimated one-third reduction in planted corn acreage and above-normal pesticide inventory carryovers. In addition, the company shifted $72 million in pesticide sales to the fourth quarter of 1982 from this year's first quarter.

Poor performance by fertilizer and other agricultural chemicals also cut into earnings of nonoil, diversified

Oil companies' chemicals barely break even

Oil and gas companies, glumly watching their profit margins shrivel as world petroleum prices fell, got no solace at all from their petrochemical operations in the first quarter of 1983. Seven leading oil producers providing after-tax data earned a grand total of just $900,000 on chemicals in the first quarter of this year, down 91.5% from $10.6 million a year earlier.

For the most part, producers blame poor demand, overcapacity, and consequent low prices for their depressed petrochemical earnings. Although Exxon, Shell Oil, and others made money, Gulf Oil, with another terrible quarter, had a deficit large enough to offset the gains of its profitable competitors in overall figures.

Pretax reports from other oil companies show little better. Atlantic Richfield lost $3 million on chemicals, and Standard Oil (Ohio) lost $12 million. Other firms did not break out their chemical income, but Phillips Petroleum, El Paso, Internorth, and American Petrofina tersely note that chemical operations were either unprofitable or failed to improve over 1982.

On the positive side, first-quarter chemical results were a step up from fourth-quarter 1982, when all but Exxon recorded deficits. Still, most firms remain cautious. Shell, for instance, although expecting considerable improvement over 1982 this year, quickly adds a note of caution. "Chemical price trends are mixed," says president John F. Bookout Jr., "as industry overcapacity pressures continue, and we are now experiencing increases in feedstock costs. Taken together, these factors could dampen the growth in chemical earnings over the balance of the year."

$ Millions	First-quarter after-tax earnings on chemical operations 1983	1982	% change
Exxon	$32.0	$27.0	19%
Getty Oil	−1.1	−1.1	def
Gulf Oil	−39.0	−82.0	def
Internorth	0.0	2.7	−100
Mobil	−14.0	13.0	def
Shell Oil	19.0	10.0	90
Standard Oil (Ind.)[a]	4.0	41.0	−90

a Excludes nonrecurring $14 million gain in first-quarter 1982. def = deficit.

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Oil companies' earnings still suffer, but other firms improve

	% chemical sales	Sales ($ millions)	Earnings[a] ($ millions)	Change from 1982 Sales	Change from 1982 Earnings	Profit margin[b] 1983	Profit margin[b] 1982
OIL AND GAS COMPANIES							
American Petrofina	11%	$ 425.3	$ 0.3	−26%	−98%	0	2.8
Atlantic Richfield	8	6,319.2	330.4	−2	−14	5.2	6.0
El Paso	15	1,222.8	14.3	16	−33	1.1	2.2
Exxon	7	23,705.0	1060.0	−12	13	4.5	3.5
Getty Oil	2	3,005.1	171.8	−4	−4	5.7	2.6
Gulf Oil	7	6,898.0	182.0	−9	−37	2.6	3.8
Internorth	8	1,359.7	102.0	−6	−6	7.5	7.5
Kerr-McGee	13	850.6	23.8	−9	−49	2.8	4.9
Mobil	3	14,300.0	250.0	−13	3	1.8	1.5
Occidental Petroleum[c]	na	4,890.0	9.9	16	−76	0.2	1.0
Phillips Petroleum	15	3,640.0	129.0	−4	−19	3.5	4.2
Shell Oil	17	4,645.0	246.0	−4	−29	5.3	7.1
Standard Oil of California	3	6,995.0	310.0	−30	35	4.4	2.3
Standard Oil (Ind.)[d]	9	7,500.0	399.0	−4	−13	5.3	6.3
Standard Oil (Ohio)	4	2,766.0	387.0	−24	−15	14.0	12.6
Sun Co.	3	3,740.0	90.0	−8	−21	2.4	2.8
Tenneco	7	3,609.0	111.0	−4	−14	3.1	3.4
Texaco[e]	3	10,200.0	319.0	−22	−2	3.1	2.5
Union Oil	11	2,470.0	128.3	0	−24	5.2	6.8
DIVERSIFIED MANUFACTURERS							
Aluminum Co. of America[f]	11	1,142.2	−14.3	−5	def	def	2.0
Allied[g]	23	2,569.0	79.0	−4	0	3.1	3.0
Beatrice Foods[h]	5	2,277.3	79.5	2	7	3.5	3.3
Borden[i]	30	937.3	22.7	1	32	2.5	1.8
Borg-Warner	19	813.5	35.5	10	−2	4.4	4.9
Diamond Shamrock[j]	31	855.4	4.6	8	−84	0.5	3.7
Du Pont	32	8,597.0	203.0	4	−19	2.4	3.0
Eastman Kodak[k]	20	2,129.9	136.8	−5	−25	6.4	8.1
Engelhard	12	611.4	16.2	40	13	2.6	3.2
FMC	37	653.7	31.5	1	−3	3.7	3.9
General Electric	4	6,100.0	425.0	1	13	8.9	8.1
Georgia-Pacific	12	1,419.0	3.1	18	−98	0.2	12.9
B. F. Goodrich[l]	36	734.0	−14.9	1	def	def	def
Kaiser Aluminum[m]	22	586.1	−51.0	−20	def	def	def
Koppers[n]	34	287.5	−12.8	−13	def	def	def
Eli Lilly	27	821.9	136.2	−4	0	16.4	15.8
Merck	21	770.8	113.7	4	4	14.8	14.8
NL Industries	30	386.0	−8.2	−42	def	def	14.1
Northwest Industries	24	419.2	1.4	−53	−99	0.3	11.9
Pfizer[o]	11	910.4	106.9	11	37	11.8	9.5
Procter & Gamble	4	3,131.0	218.0	1	10	7.0	6.4
3M	15	1,703.0	157.0	2	3	9.2	9.1
Tyler[p]	35	212.1	0.8	2	870	0.4	0.0
Uniroyal	30	450.5	3.6	−7	200	0.8	0.2
U.S. Steel	6	3,860.0	−118.0	−23	def	def	0.9
Upjohn	17	484.1	43.1	5	0	8.9	9.4
Vulcan Materials	37	154.6	0	−6	def	def	6.1

a Excludes major nonrecurring gains or charges to earnings. b After-tax income as a percentage of sales. c Excludes nonrecurring gains of $16 million in first-quarter 1983 and $21 million in first-quarter 1982. d Excludes nonrecurring $14 million gain in first-quarter 1982. e Excludes nonrecurring $43 million gain in first-quarter 1982. f Excludes nonrecurring $19.9 million gain in first-quarter 1982. g Results for first-quarter 1982 reflect Bendix consolidation on pro forma basis. Excludes nonrecurring $39.0 million gain in first-quarter 1983. h Results for three months ending Feb. 26, 1983 (fourth quarter of Beatrice's 1983 fiscal year). Excludes nonrecurring $278.0 million charge in fiscal fourth-quarter 1983. i Excludes nonrecurring gains of $17.0 million in first-quarter 1983 and $17.6 million in first-quarter 1982. j Excludes nonrecurring $35.6 million gain in first-quarter 1982. k Excludes nonrecurring charge of $87.4 million in first-quarter 1983. l Excludes nonrecurring gains of $7.1 million in first-quarter 1983 and $1.9 million in first-quarter 1982. m Excludes nonrecurring $22.2 million gain in first-quarter 1983. n Excludes nonrecurring charges of $200,000 in first-quarter 1983 and $400,000 in first-quarter 1982. o Results for first-quarter 1982 restated to reflect acquisition of Valleylab. Excludes nonrecurring gains of $4.3 million in first-quarter 1983 and $11.0 million in first-quarter 1982. p Excludes nonrecurring gain of $800,000 in first-quarter 1983. **na** = not available. **def** = deficit.

chemical producers. Companies as varied as Allied, Uniroyal, and Kaiser Aluminum & Chemical (whose total earnings declined in the first quarter) and Eli Lilly (whose earnings rose) branded the agricultural sector a major drain on income. Again, the federal government's payment-in-kind program was the chief culprit. Lilly, for instance, typically noted that the uncertainties created by PIK caused lower sales of Treflan, its dominant herbicide.

Agricultural and other problems conspired to reduce combined earnings of 24 diversified companies with chemical operations 23.9% from first-quarter 1982. Seven of these producers lost money in the first quarter, led by U.S. Steel with a $118 million deficit. And among those recording profits, earnings in many cases were sharply lower than the year before—for example, down 99% at Northwest Industries, 98% at Georgia-Pacific, 84% at Diamond Shamrock, and 25% at Eastman Kodak.

As a result, profit margins for the 24 firms wilted to 3.9% in first-quarter 1983 from an average of 5.6% in first-quarter 1982.

Thanks to lower prices and demand, profits also were off at oil and gas companies with chemical operations, although not so much as at the diversified companies. Combined earnings at 19 oil and gas firms were 17% lower in first-quarter 1983 from first-quarter 1982. Profit margins shrank to an average of 4.1% from 4.4%. Big losers were American Petrofina, El Paso, Gulf Oil, Kerr-McGee, Occidental Petroleum, and Shell Oil. Of the 19 firms, only three—Exxon, Mobil, and Standard Oil of California—had an earnings increase.

Perhaps it's best to think of the direction and not the present position of these producers' financial health. Recovery from these companies' most prolonged economic downturn since the depression wasn't going to happen overnight, and industry executives never thought it would. For the moment, the tilt in performance as the second quarter rolls along is decidedly up. The next batch of corporate financial reports, due in July, should be much better reading. □

Canadian Chemical Firms Optimistic That Slide Is Ending

Combined first-quarter sales of four major chemical firms are higher than in previous two quarters; also, combined losses are less

Optimism, a commodity that was conspicuously missing last year, has returned to the ranks of Canadian chemical executives. It is a mild form of optimism, to be sure, but after 1982's dismal performance, even a small dose is welcome.

Collectively, the four large publicly reporting companies charted by C&EN (C-I-L Inc., Celanese Canada, Du Pont Canada, and Union Carbide Canada) lost $1.1 million (Canadian) in the first quarter of 1983 on sales of $767 million (down 3.3% from the first quarter of 1982).

But collective statistics and first-quarter comparisons don't tell the whole story. Collective sales in the first quarter are higher than in the previous two quarters. And the collective loss of these four companies is less than in the previous three quarters.

Individually, Celanese Canada came storming back in the first quarter in both sales and earnings. Sales, at $94.1 million, were 19% higher than in the first quarter of 1982 and were higher than in any single quarter of last year. Profits jumped a hefty 67% over the like 1982 period to $1.5 million, also better than any of last year's quarters.

Celanese's sales were aided, in large part, by the startup of its huge methanol plant at Edmonton, Alta., and by a shutdown of Ocelot Industries' methanol unit at Kitimat, B.C. However, president and chief executive officer Ernest H. Drew says that other business sectors, especially polyester, polypropylene, and industrial products, also chalked up major sales increases.

Du Pont Canada also managed to improve sales slightly to $254 million, up 2.5% over 1982's first quarter. And the company turned a $1.2 million loss in the first quarter of 1982 into a $1.0 million profit in this year's first period. For Du Pont, Canadian sales were up 6% as improved demand more than offset lower selling prices. Export sales revenue, however, was down 13%. J. E. (Ted) Newall, chairman, president, and chief executive officer, says lower prices in export markets, caused in part by the strength of the Canadian dollar, were the chief culprit.

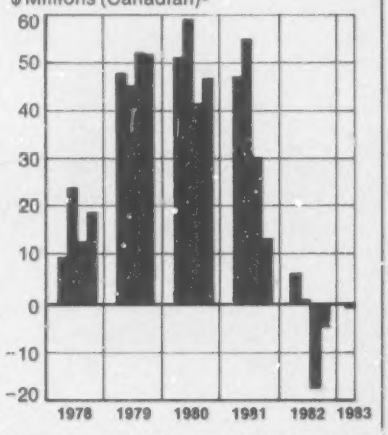
Sales of C-I-L Inc., the most diversified of the four companies, were $265 million, down 7% from the first quarter of 1982 but higher than the previous two quarters. C-I-L's profits also were down 57% to $2.6 million, but not so much as in the previous two periods.

President and chief executive officer Charles H. Hantho sees "some indications of modest improvement in economic activity" and expects seasonal improvement in earnings in the second quarter. But, although the Canadian recession is easing, Hantho thinks the industry still will face a period of lower growth rates and tougher international competition.

Union Carbide, however, saw both its sales and earnings slump in the first quarter. Sales dropped 15% to $155 million and the company lost $6 million on those sales. The company is particularly vulnerable to Canada's energy pricing policies and blames those policies for its tight cost-price squeeze.

Earl Anderson, New York

Combined earnings: chemical losses easing



a After-tax earnings of four largest publicly reporting Canadian chemical companies—Celanese Canada, C-I-L, Du Pont Canada, and Union Carbide Canada.

Some rays of hope shine on chemical sales and earnings

	First-quarter 1983					
$ Millions (Canadian)	Net sales	Change from 1982	Net income[a]	Change from 1982	Profit margin[b] 1983	1982
C-I-L Inc.	$265.0	−7.1%	$2.6	−57.4%	1.0%	2.1%
Celanese Canada	94.1	19.1	1.5	66.7	1.6	1.1
Du Pont Canada	253.5	2.5	1.0	c	0.4	def
Union Carbide Canada	154.7	−14.9	−6.2	def	def	0.1
TOTAL	$767.3	−3.3%	$−1.1	def	def	0.8%

a Net income from continuous operations, excluding extraordinary gains or losses. b Net income as percentage of sales. c Deficit in 1982. def = deficit.